

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	31595	Agenda Number	2.
Meeting Date:	3/27/2014	Department:	Austin Energy	
Subject				
<p>Authorize negotiation and execution of a power purchase agreement with SunEdison, and/or with one of the other qualified respondents to the October 21, 2013 request for proposals, for a term of up to 25 years for a combined total of up to 150 megawatts of solar-generated electricity, in an estimated amount of \$21,000,000 per year, for a total estimated contract amount not to exceed \$525,000,000.</p>				
Amount and Source of Funding				
<p>Funding will be provided through Power Supply Adjustment (PSA) revenue or future Green Choice revenue.</p>				
Fiscal Note				
<p>There is no unanticipated fiscal impact. A fiscal note is not required.</p>				
Purchasing Language:				
Prior Council Action:	March 20, 2014 - City Council approved negotiation of a power purchase agreement with SunEdison.			
For More Information:	Jeff Vice, Director, Local Government Issues (512) 322-6087; Pat Sweeney, Director, Energy and Market Operations (512) 322-6292; Khalil Shalabi, VP, Energy Market Operations & Resource Planning (512) 322-6520.			
Boards and Commission Action:	March 17, 2014 - Recommended by the Electric Utility Commission on a vote of 5-0-2 with Commissioners Butler and Rai abstaining.			
MBE / WBE:				
Related Items:				

Additional Backup Information

The recommended contract(s) will provide for the purchase of the full output from one or more solar photovoltaic power projects, totaling up to 150 megawatts (MW), to be constructed in west Texas. The design is expected to include over 500,000 photovoltaic cell modules covering approximately 1,000 acres of land. Austin Energy selected west Texas as a locale because of high levels of insolation yielding strong solar production. The energy is expected to become available in 2016. The agreement(s) will run for a term of up to 25 years and will not require Austin Energy to invest any funds in the construction, operation, or maintenance of the project during that period. The contract will require AE to pay only for energy actually produced, and AE does not incur any operational risk from the solar plant itself.

This recommendation is the culmination of a Request for Proposal (RFP) process initiated in October 2013 in an effort to continue progress on Austin Energy's 2020 renewable energy goals. Those goals include 35% renewable

energy and 200 MW of solar, including 100 MW from solar resources in the Austin Energy service area, half of which will come from customer-owned resources.

- The recommendation for up to 150 MW represents the best value that balances several considerations:
 - Affordability - expected to provide a neutral to slightly positive (less than 1%) impact to the PSA
 - Best offers in the range of \$45 to \$55/Mwh
 - Highest offers exceeded \$100/Mwh for locations in Travis County
 - Greater quantities risk higher prices and higher PSA costs
 - Balances future price risk
 - Takes advantage of federal credits through 2016
 - Recognizes the possibility of continued solar price declines
 - Resource Planning
 - Stretches the current plan which anticipated 75 MW of solar additions from 2017 to 2020
 - Additional quantities may present risks if not addressed holistically taking into account issues such as dispatchability and overall portfolio needs
 - Will meet and exceed 100 MW utility scale solar goal
 - Solidifies achievement of renewable energy goal in 2017
 - Represents a significant, long-term financial commitment
 - This is the latest in a series Power Purchase Agreements that AE has signed on to and must manage as part of its total debt obligations.